



**Annual Financial Statements
for the year ended 30 June 2017**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Accounting Officer's Responsibilities and Approval

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these interim financial statements, which are set out from pages 3 to 10, in terms of Section 126(1) of the Local Government: Municipal Financial Management Act and which I have signed on behalf of the municipality.

**Accounting Officer
Designation**

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories		8 988	-
Cash and cash equivalents	2	3 158 584	-
		3 167 572	-
Total Assets		3 167 572	-
Liabilities			
Current Liabilities			
Payables from exchange transactions	3	172 612	-
Unspent conditional grants and receipts	4	657 534	-
		830 146	-
Total Liabilities		830 146	-
Net Assets		2 337 426	-
Accumulated surplus		2 337 426	-

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Interest received	5	1	-
Revenue from non-exchange transactions			
Transfers and subsidies	6	2 500 000	-
Other income	7	938 023	-
Total revenue from non-exchange transactions		3 438 023	-
Total revenue	8	3 438 024	-
Expenditure			
General Expenses	9	(1 100 598)	-
Surplus for the year		2 337 426	-

Statement of Changes in Net Assets

Figures in Rand	Total net assets	
Balance at 01 July 2016	-	-
Changes in net assets		
Surplus for the year	2 337 426	2 337 426
Total changes	2 337 426	2 337 426
Balance at 30 June 2017	2 337 426	2 337 426
Note(s)		

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Transfers and Subsidies		3 157 534	-
Interest received		1	-
Other Receipts		2 000	-
		<u>3 159 535</u>	-
Payments			
Bank charges		(951)	-
Net cash flows from operating activities	10	<u>3 158 584</u>	-
Net increase/(decrease) in cash and cash equivalents		<u>3 158 584</u>	-
Cash and cash equivalents at the end of the year	2	<u>3 158 584</u>	-

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the agency.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the agency will continue to operate as a going concern for at least the next 12 months.

1.3 Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at cost, using the effective interest rate method. Amounts that are payable within 12 months from the reporting date are classified as current. The carrying amount of trade and other payables is a reasonable approximation of fair value.

1.4 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

1.5 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.6 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank	3 158 584	-
The Agency had the following bank accounts		
Account number / description	Bank statement balances	Cash book balances
	30 June 2017 30 June 2016	30 June 2017 30 June 2016
ABSA Bank - Cheque Account - 4090669260	3 158 584 -	3 158 584 -
3. Payables from exchange transactions		
Accruals	172 612	-
4. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Unspent grant	657 534	-
5. Interest received		
Interest revenue		
Interest	1	-
6. Transfers and subsidies		
Operating grants		
Government grant	2 500 000	-
7. Other income		
Donations	2 000	-
Transfer of revenue in kind	936 023	-
	938 023	-
8. Revenue		
Interest received	1	-
Transfers and subsidies	2 500 000	-
Public contributions and donations	938 023	-
	3 438 024	-
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received	1	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
8. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfers and subsidies	2 500 000	-
Public contributions and donations	938 023	-
	3 438 023	-
9. General expenses		
Bank Charges	951	-
S & T Allowance	172 612	-
Expenses incurred by WDM on behalf of WEDA	927 035	-
	1 100 598	-
10. Cash generated from operations		
Surplus	2 337 426	-
Changes in working capital:		
Inventories	(8 988)	-
Payables from exchange transactions	172 612	-
Unspent conditional grants and receipts	657 534	-
	3 158 584	-

11. Risk management

Financial risk management

The agency's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The agency's risk management policies are established and analyse the risks faced by the agency, to set up limits and controls to monitor risks and adherence to limits. The risk management policy is reviewed annually and a risk assessment is performed annually and monitored regularly to effect changes in the agency's activities and risk profile.

Liquidity risk

The agency's risk to liquidity is a result of the funds available to cover future commitments. The agency manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Cash and cash equivalents	3 158 584	-

12. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the agency to continue as a going concern is dependent on a number of factors. The most significant of these is that the board of directors should continue to procure funding for the ongoing operations for the agency.

Notes to the Annual Financial Statements

Figures in Rand

12. Going concern (continued)

We draw attention to the fact that at 30 June 2017, the agency had accumulated surplus of R 2 337 543 and that the agency's total liabilities exceed its assets by R 2 337 543.

The agency will continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseeable future, as a going concern.

13. Related parties

Municipality

Board of Directors

Municipal councillors

Key management personnel

Waterberg District Municipality

WEDA Board of Directors

Executive mayor, Speaker, Mayoral committee members and councillors

Acting Chief Executive Officer

Acting Chief Financial Officer

Acting Economic Development Manager

Acting Legal Manager